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Grain and Feed

May Monthly Update

2008

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Report Highlights:
The total grain production forecast is increased to 84.67 million metric tons (mmt) due to greater corn production. Grain feed consumption in MY 2008 will increase to 36.4 mmt. The export forecast remains unchanged. Grain prices stabilized by mid-April 2008 and further increases are not expected due to expectations of a strong crop. Extension of the prohibitive wheat and barley export tariffs after July 1 is not expected.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Trade Report
Moscow [RS1]
[RS]

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Executive Summary

The total grain production forecast has been increased to 84.67 million metric tons (MMT) due to a 200,000 metric ton increase in corn production. Wheat and barley forecasts remain at 51.2 MMT and 17.7 MMT, respectively. Grain feed consumption in MY 2008 will increase to 36.4 MMT from the estimated 35.1 MMT in MY 2007. The export forecast is 14.5 MMT (up 1.2 MMT from MY 2007), including 12.8 MMT of wheat and wheat flour in grain equivalent and 1.55 MMT of barley. Grain prices stabilized by mid-April 2008 at a higher than expected level. However, further increases are not expected. Extensions of the prohibitive wheat and barley export tariffs past June 30 are not likely. The formation of a grain futures trade has helped grain producers form price targets, although present trading volumes are too small to influence Russia's grain marketing system.

2008 Sowing Progress

The Russian Ministry of Agriculture forecasts that 85 MMT of grain will be produced in 2008, while expert forecasts vary from 82 MMT to 90 MMT. Several of the most pessimistic forecasts (75-80 MMT) are based on the possible occurrence of severe drought and land ownership problems, which would decrease producer incentive to invest in yield increasing agricultural technologies and soil improvement methods. However, progress in sowing and spring fertilization throughout April, as well as reports on the improvement of agronomy practices in the major grain producing regions, shows that prospective yields for the 2008 grain crop will be better than in previous years.

As of April 28, 2008, spring grain crops were sown on 18.4 million hectares (27.1 percent of the area planned for spring), which is 2.2 million hectares more than on the same date last year. Corn planned for grain was sown on 694,000 hectares (36.6 percent of planned area), compared to 432,000 hectares for the same date in 2007. Fertilizer was applied on 12.1 million hectares, or 76.2 percent of winter grain area sown in Russia, up 5.0 million hectares from last year. This included 5.6 million hectares (72.3 percent of winter grain area sown) in the Southern Federal District, which is 1.3 million hectares more than the same date in 2007. In the Volga Valley Federal District, 2.4 million hectares (51.2 percent of area sown) were fertilized, and in the Central Federal District 3.1 million hectares (89.1 percent of area sown) were fertilized, which is 0.9 million hectares more than in 2007.

The Ministry of Agriculture reports that, as of April 25, 2008, agricultural enterprises acquired 1.13 MMT of mineral fertilizer (in active ingredient), including 818,000 metric tons of nitrogen fertilizer, which is 413,000 tons more than in 2007. Including last year's stocks, the mineral fertilizer supply for the 2008 spring sowing season is 1.5 MMT, 468,000 metric tons more than in 2007.

According to the most current Roshydromet[1] data, as of March 2008, the condition of winter crops was better than in March 2007. Furthermore, winter grain conditions have not deteriorated in April. Given the increased area devoted to winter grains, the International Grain Company estimates that 15.13 million hectares, or 94 percent of winter grain area sown, will be harvested in 2008, compared with 13.23 million hectares in 2007.

[1] Roshydromet – Federal Service of the Russian Federation on Hydrometeorology and Monitoring of the Environmental Situation

Table 1. Russia: Conditions for Winter Grain Crops, March 2008

Territories	Winter Crops Sown Area, Million Hectares		Crops subjected to poor conditions, percent of winter area sown		Crops subjected to poor conditions, average 2003-2007, percent of winter area sown
	Fall 2007	Fall 2006	March 2008	March 2007	
Russia, total	16.23	14.16	6-8	6-8	13.9
Selected Federal Districts					
Central	3.49	2.87	5-7	15-17	15.3
Southern	7.54	6.6	4-6	4-6	7.6
Volga Valley	4.79	4.36	10-12	11-13	21.5
Siberia	0.25	0.19	4-6	5-7	14.9

Source: "Grain Market Survey", OOO "International Grain Company" (Apr. 07, 2008)

Recently released official data for the 2007 crop illustrates that winter wheat was sown on 10.59 million hectares and winter barley on 535,000 hectares. Winter wheat area harvested was 10.18 million hectares, and the winter barley harvested area was 526,000 hectares. Total production of winter wheat and winter barley was 28.6 MMT and 2.03 MMT, respectively. Spring wheat was sown on 13.8 million hectares and harvested from 13.3 million hectares, while spring barley was sown on 9.14 million hectares and harvested from 7.83 million hectares. Spring wheat and barley production totaled 20.79 MMT and 13.63 MMT[2] respectively. In 2008, winter wheat and winter barley production will surpass the 2007 level.

Trade

Due to the wheat export duty, Russian wheat exports ceased in March 2008. On January 29, 2008, the export tariff on wheat was raised to 40 percent *ad valorem*, but not less than 105 Euro per metric ton. Originally planned to remain in effect until May 1, 2008, this export tariff was extended to July 1, 2008. Wheat flour exports continued but at a slower pace than in October – December 2007. Total MY 2007 grain exports are estimated at 13.3 MMT, including 12.1 MMT of wheat and flour and 1.0 MMT of barley. Imports in MY 2007 are less than 1.1 MMT. The export forecast for MY 2008 is 14.5 MMT, including 12.8 MMT of wheat (including flour) and 1.55 MMT of barley. In mid-April, the Government of Kazakhstan implemented an export ban on wheat until September 1, 2008. However, this ban does not affect Russia's wheat supply, as most of the wheat imported from Kazakhstan entered in July and August 2007 (69,000 and 84,000 metric tons). In December through February 2008, Russia imported 25,000 – 30,000 metric tons of wheat per month from Kazakhstan. However, in March 2008 Russia imported less than 9,000 metric tons of wheat from Kazakhstan.

Wheat imports in July – March totaled 278,160 metric tons, including 20,790 metric tons of wheat flour in grain equivalent. Wheat exports were discontinued in March 2008, while wheat flour exports continued, and in July – March Russia exported 11.96 MMT of wheat, including 376,670 metric tons of wheat flour in grain equivalent. Given that in April – June Russia will not export wheat, and exports of flour will not exceed 25,000 metric tons a month (35,000 metric tons in grain equivalent), the total wheat exports estimate for MY 2007 is 12.1 MMT. The feed consumption estimate for MY 2007 decreased by 200,000 metric tons to 15.5 MMT.

[2] Source: SovEcon, data on harvested area are calculated based on production and yields per harvested area.

Corn imports for October – March totaled 64,340 metric tons, increasing total MY 2007 corn imports to 150,000 metric tons. In October – March, Russia exported 30,000 metric tons of corn, while MY 2007 exports are estimated at 55,000 metric tons. Domestic feed consumption increased by 20,000 metric tons to 3.46 MMT. Given the current corn harvest timetable, the forecast for area harvested in MY 2008 has increased to 1.35 million hectares. Furthermore, the crop forecast has increased to 4.0 MMT, as an increase in domestic feed consumption has been forecasted at 3.55 MMT.

Stocks
For MY 2007, Post estimates that end-of-year stocks (June 30) will be 3.3 MMT. There are no official estimates of this measure. Expert estimates for end-of-year stocks vary from 2.5 to 6.5 MMT. Reports on current stocks of grain also differ. While stocks of milling quality grain at processing enterprises are reported more or less accurately, stocks of grain at feed mills and on farms are not reported. According to Rosstat[3], stocks of milling quality wheat and rye at procurement and processing enterprises, as of March 1, 2008, were lower than last year, 4.8 MMT of wheat (-21.6 percent) and 517,000 metric tons of rye (-5.8 percent). However, on April 7, 2008, Minister of Agriculture Aleksey Gordeyev declared that the carry over stocks of grain will exceed last year's stocks by 1.5 – 2.0 MMT by July 1, 2008.

Policy
In spite of the continued increase in wholesale and retail prices of grain products, additional federally mandated, nation-wide measures to restrict these prices are not likely. Retail price freezes for "socially" necessary items, such as bread, will be discontinued on May 1, and neither the Ministry of Agriculture nor the Ministry of Economic Development and Trade support an extension.

The high export duties currently levied on wheat and barley are not likely to be extended after July 1, 2008, given the positive crop forecasts.

Grain interventions continue to help stabilize the milling wheat supply in regions where the price of bread is increasing faster than others. As of April 29, 2008, 76 percent of soft milling wheat, Class 3 was sold. Most of this wheat was sold for the price of 5,000 – 5,300 rubles per metric ton to accredited flour mills. Roughly 72 percent of soft milling wheat, Class 4, and 58 percent of milling rye, Group A, was also sold from the intervention fund.

Table 2. Russia: State Intervention Grain Sales, Metric Tons, as of April 29, 2008.

Commodity	Starting Volume	Sales	Remainder
soft milling wheat, Class 3	**1,256,769.964**	951,798.000	304,971.964
soft milling wheat, Class 4	**152,470.000**	110,111.000	42,359.000
milling rye, Group A	**42,670.000**	24,930.000	17,740.000
TOTAL	**1,451,909.964**	1,086,839.000	365,070.964

Source: NAMEX

Marketing
In April 2008, Russia started trading grain futures[4] and, according to NAMEX[5] data, as of April 29, 2008, the total number of wheat futures contracts traded reached 519, or 259.4 million rubles. This includes 191.78 million rubles in wheat futures EXW (Franco-elevator) and 67.67 million rubles for FOB, delivery port Novorossiysk. Although trade volumes are

[3] Russian Federal Statistical Service
[4] GAIN RS8026 Grain and Feed / Russia Begins Wheat Futures Trade
[5] NAMEX – Russian National Commodity (Mercantile) Exchange

not significant, futures contracts may help producers form price targets and increase the transparency of the Russian grain market.

Table 3. Russia, Results of Grain Futures Trade, as of April 29 2008.

	Traded Price				Turnover	
Instrument name	Open	Low	High	Close	Number of Contracts	Rubles
Futures EXW	Rubles					
- wheat class 3, July 2008	6,354	6,300	8,400	6,550	88	49,080,375
- wheat class 3, September 2008	5,456	4,921	6,790	5,673	67	31,573,425
- wheat class 3, November 2008	6,000	5,620	7,480	5,990	43	18,828,875
- wheat class 4, July 2008	6,640	6,000	8,050	6,300	86	47,475,870
- wheat class 4, September 2008	5,258	4,738	6,690	5,487	67	30,816,240
- wheat class 4, November 2008	6,800	5,403	7,100	5,880	33	14,073,865
Futures FOB, exports	USD					
- wheat, July 2008	345.00	302.00	385.00	314.00	52	26,355,501
- wheat, September 2008	305.00	279.00	357.00	297.00	45	21,991,890
- wheat, November 2008	323.00	290.00	370.00	309.00	38	19,318,596

Source: NAMEX

Grain Prices

As of April 1, 2008, the prices of milling quality grain continued to grow in most Russian economic regions. However, the rate of growth slowed due to an increase of grain on the market on the eve of spring sowing (farmers sell grain to cover the costs of sowing) as well as the approach of a new crop year. Producers also consider the likelihood of a decrease in export demand and a decline in international wheat prices. In the second half of April, grain prices began to decrease.

Table 4. European Russia, Grain Prices, EXW, Rubles, U.S. Dollars.

	March 28, 2008	April 4, 2008	April 11, 2008	April 18, 2008	April 25, 2008
	Rubles				
Wheat, milling, Class 3	9,140	9,290	9,310	9,270	9,220
Wheat, milling, Class 4	8,775	8,990	9,025	8,950	8,890
Rye, milling, Group A	7,715	7,940	8,015	8,000	8,000
Feed wheat	8,470	8,540	8,590	8,520	8,445
Feed barley	7,175	7,215	7,195	7,160	7,120
Feed corn	8,030	8,115	8,145	8,120	8,080
	U.S. Dollars				
Wheat, milling, Class 3	388.70	393.60	395.90	394.97	390.60
Wheat, milling, Class 4	373.10	380.90	383.80	381.34	376.60
Rye, milling, Group A	328.10	336.40	340.90	340.86	338.90
Feed wheat	360.20	361.80	365.30	363.02	357.80
Feed barley	305.10	306.00	306.00	305.07	301.60
Feed corn	341.50	343.80	346.40	345.97	342.30

Source: "WJ ProZerno"

PSD Tables

Wheat

Table 5. PSD, Wheat, 1,000 Metric Tons, 1,000 Hectares.

PSD Table										
Country	Russian Federation									
Commodity	Wheat						(1000 HA)(1000 MT)(MT/HA)			
	2006 Revised			2007 Estimate			2008 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008	MM/YYYY
Area Harvested	23700	23700	23700	24500	23510	23500	0	25000	25000	(1000 HA)
Beginning Stocks	3809	3809	3809	2380	2380	2380	2080	2050	2070	(1000 MT)
Production	44900	44900	44900	49400	49370	49390	0	51200	51200	(1000 MT)
MY Imports	861	861	861	1000	700	500	0	600	600	(1000 MT)
TY Imports	861	861	861	1000	700	500	0	600	600	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	49570	49570	49570	52780	52450	52270	2080	53850	53870	(1000 MT)
MY Exports	10790	10790	10790	12500	12100	12100	0	12800	12800	(1000 MT)
TY Exports	10790	10790	10790	12500	12100	12100	0	12800	12800	(1000 MT)
Feed Consumption	14100	14100	14100	15400	15700	15500	0	16000	16000	(1000 MT)
FSI Consumption	22300	22300	22300	22800	22600	22600	0	22700	22700	(1000 MT)
Total Consumption	36400	36400	36400	38200	38300	38100	0	38700	38700	(1000 MT)
Ending Stocks	2380	2380	2380	2080	2050	2070	0	2350	2370	(1000 MT)
Total Distribution	49570	49570	49570	52780	52450	52270	0	53850	53870	(1000 MT)
Yield	1.89	1.89	1.89	2.02	2.10	2.10	0	2.048	2.048	(MT/HA)

Barley

Table 6. PSD, Barley, 1,000 Metric Tons, 1,000 Hectares.

PSD Table										
Country	**Russian Federation**									
Commodity	**Barley**						(1000 HA)(1000 MT)(MT/HA)			
	2006 Revised			2007 Estimate			2008 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008	MM/YYYY
Area Harvested	10000	10000	10000	9800	8370	8360	0	9800	9800	(1000 HA)
Beginning Stocks	873	873	873	1226	1226	1226	776	746	746	(1000 MT)
Production	18100	18100	18100	15650	15650	15650	0	17700	17700	(1000 MT)
MY Imports	200	200	200	200	200	200	0	200	200	(1000 MT)
TY Imports	200	200	200	200	200	200	0	200	200	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	19173	19173	19173	17076	17076	17076	776	18646	18646	(1000 MT)
MY Exports	1547	1547	1547	1000	1030	1030	0	1550	1550	(1000 MT)
TY Exports	1691	1691	1691	1000	1030	1030	0	1500	1550	(1000 MT)
Feed Consumption	11800	11800	11800	10700	10700	10700	0	11750	11750	(1000 MT)
FSI Consumption	4600	4600	4600	4600	4600	4600	0	4600	4600	(1000 MT)
Total Consumption	16400	16400	16400	15300	15300	15300	0	16350	16350	(1000 MT)
Ending Stocks	1226	1226	1226	776	746	746	0	746	746	(1000 MT)
Total Distribution	19173	19173	19173	17076	17076	17076	0	18646	18646	(1000 MT)
Yield	1.81	1.81	1.81	1.60	1.87	1.87	0	1.81	1.81	(MT/HA)

Corn

Table 7. PSD, Corn, 1,000 Metric Tons, 1,000 Hectares.

PSD Table										
Country	Russian Federation									
Commodity	Corn						(1000 HA)(1000 MT)(MT/HA)			
	2006 Revised			2007 Estimate			2008 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2006	10/2006		10/2007	10/2007		10/2008	10/2008	MM/YYYY
Area Harvested	1000	1000	1000	1300	1350	1350	0	1250	1350	(1000 HA)
Beginning Stocks	144	144	144	175	175	175	225	165	165	(1000 MT)
Production	3600	3600	3600	3950	3950	3955	0	3800	4000	(1000 MT)
MY Imports	108	108	108	150	110	150	0	130	150	(1000 MT)
TY Imports	108	108	108	150	110	150	0	130	150	(1000 MT)
TY Imp. from U.S.	9	9	9	0	0	0	0	0	0	(1000 MT)
Total Supply	3852	3852	3852	4275	4235	4280	225	4095	4315	(1000 MT)
MY Exports	77	77	77	50	50	55	0	10	60	(1000 MT)
TY Exports	77	77	77	50	50	55	0	10	60	(1000 MT)
Feed Consumption	3100	3100	3100	3400	3420	3460	0	3410	3550	(1000 MT)
FSI Consumption	500	500	500	600	600	600	0	545	545	(1000 MT)
Total Consumption	3600	3600	3600	4000	4020	4060	0	3955	4095	(1000 MT)
Ending Stocks	175	175	175	225	165	165	0	130	160	(1000 MT)
Total Distribution	3852	3852	3852	4275	4235	4280	0	4095	4315	(1000 MT)
Yield	3.6	3.6	3.6	3.04	2.93	2.93	0	3.04	2.96	(MT/HA)

Other Relevant Reports

RS 8026 Russia Begins Wheat Futures Trade
http://www.fas.usda.gov/gainfiles/200804/146294261.pdf

RS8024 Grain and Feed Annual
http://www.fas.usda.gov/gainfiles/200804/146294162.pdf

RS8022 Grain Intervention (Procurement) Prices for 2008
http://www.fas.usda.gov/gainfiles/200803/146294105.pdf

RS8013 March Monthly Update
http://www.fas.usda.gov/gainfiles/200802/146293784.pdf

RS7096 Wheat Export Tariff Raised to 40 Percent
http://www.fas.usda.gov/gainfiles/200712/146293380.pdf